

**The University of Texas System Administration
System Audit Office**

**Annual Audit Report
Fiscal Year 2020**



The University of Texas System
System Audit Office
210 West 7th Street
Austin, Texas 78701



TABLE OF CONTENTS

I.	COMPLIANCE WITH TEXAS GOVERNMENT CODE, SECTION 2102.015	1
II.	INTERNAL AUDIT PLAN FOR FISCAL YEAR 2020	2
III.	CONSULTING SERVICES & NON-AUDIT SERVICES COMPLETED	7
IV.	EXTERNAL QUALITY ASSURANCE REVIEW	8
V.	INTERNAL AUDIT PLAN FOR FISCAL YEAR 2021.....	9
VI.	EXTERNAL AUDIT SERVICES FOR FISCAL YEAR 2020	11
VII.	REPORTING SUSPECTED FRAUD AND ABUSE	12
VIII.	CONTRACTING AUDITS	12



I. Compliance with Texas Government Code, Section 2102.015: Posting the Internal Audit Plan, Internal Audit Annual Report, and Other Audit information on Internet Web site

The System Audit Office FY 2020 Internal Audit Annual Report, which includes its approved FY 2021 Annual Audit Plan (see Section V) and a summary of weaknesses/concerns and related actions taken resulting from the FY 2020 Annual Audit Plan (see Section II), can be found on the UT System website (specifically, the “Reports to State” webpage <http://www.utsystem.edu/documents/reports-state> , choosing “Annual Audit Reports” from the “Report Type” drop down menu). The annual report can also be found at <http://www.utsystem.edu/offices/system-audit/about-internal-audit>



II. Internal Audit Plan for Fiscal Year 2020

FY 2020 Audit Plan – Engagements	Status of Plan
Assurance Engagements	
Business Process and Departmental Reviews	Postponed to FY21
Oil and Gas Audit - Diamondback	Carryforward to FY21
Account Reconciliation Process Audit	Postponed to FY21
Database Applications Audit	10/1/2020
IT Asset Management Audit (TAC 202)	8/24/2020
GPO Accreditation Applications Review	8/24/2020
GPO Control Validation Review	8/26/2020
Employee Onboarding and Offboarding Process Audit	Postponed to FY21
Governance and Management of Shared Systems, Services, and Infrastructure Audit	9/22/2020
Advisory and Consulting Engagements	
Internal Lending Program (ILP) Consulting	2/18/2020
UTIMCO Risk Information Consulting	2/25/2020
UT Health Intelligence Platform (HIP) Consulting	7/22/2020
Chief Information Security Officer (CISO) SharePoint Consulting	9/23/2020
Benefitfocus® Consulting	Ongoing – Report NA
Enterprise Risk Management Consulting	Ongoing – Report NA
Security Assessments Action Plans Monitoring	Postponed to FY21
COVID-19 Related Advisory Services	Ongoing – Report NA
Construction Consulting	NA
General Audit Assistance to System Administration	Ongoing – Report NA
System Administration Committees and Councils	Ongoing – Report NA
UTIMCO Meetings and Oversight Activities	Ongoing – Report NA
Required Engagements	
UT System Administration & Consolidated Financial Audit Assistance, including Guidance to Institutions	Deloitte Report
UTIMCO CEO/CIO & Executive Travel and Other Expenses Audit	Combined
Benefits Proportionality Audit & Guidance to the Institutions	6/19/2020
Chancellor/Executive Travel and Entertainment Expenses Audit	9/14/2020
NCAA Agreed-Upon Procedures at UT Arlington	1/15/2020
NCAA Agreed-Upon Procedures at UT El Paso	1/15/2020
NCAA Agreed-Upon Procedures at UT Rio Grande Valley	1/15/2020
NCAA Agreed-Upon Procedures at UT San Antonio	1/15/2020
Chief Administrator Travel, Entertainment & University Residence Maintenance Expense Audits	Postponed to FY21
Investigations	
UTPB Special Review	Internal Memo



Follow-Up	
System Audit Follow Up Procedures	Various Memos
Development - Operations	
Assistance to Institutions - Academic	Ongoing – Report NA
Assistance to Institutions - Health	Ongoing – Report NA
Assistance to Institutions - All	Ongoing – Report NA
Assistance to Institutions - IT Related	Ongoing – Report NA
Systemwide Annual Risk Assessment and Audit Plan	Complete – Report NA
Audit, Compliance, and Risk Management Committee (ACRMC) and Board of Regents	Quarterly – Report NA
Systemwide Internal Audit Council	Ongoing – Report NA
Fraud and Investigation Tracking	Ongoing – Report NA
Systemwide Internal Audit Reporting	Complete – Report NA
Internal Audit Strategy	Ongoing – Report NA
General Communications	Ongoing – Report NA
Systemwide TeamMate Administration	Ongoing – Report NA
Online Reporting	Ongoing – Report NA
Systemwide Findings Tracking	Ongoing – Report NA
Data Analytics	Ongoing – Report NA
UT System Administration Internal Audit Committee	Quarterly – Report NA
Management of the Internal Audit Activity	Ongoing – Report NA
System Audit Office Annual Risk Assessment and Audit Plan	Complete – Report NA
System Audit Quality Assurance Activities	Ongoing – Report NA
TeamMate Maintenance, Website Updates, SP Site Management	Ongoing – Report NA
External Reporting and Requests	Ongoing – Report NA
Development - Initiatives and Education	
Systemwide Initiative - Advisory Services	Ongoing – Report NA
Systemwide Initiative - Auditor IT Skill Development	Ongoing – Report NA
Quality Program and Metrics Implementation	Ongoing – Report NA
Resource Capabilities and Knowledge/Resource Management	Ongoing – Report NA
Internal Audit Staff Training	Ongoing – Report NA
Professional Organizations and Associations	Ongoing – Report NA

Deviations from Audit Plan Submitted:

The System Audit Office completed its FY 2020 annual audit plan except for the deviations noted below. A few engagements for which reports had not yet been issued at the end of FY 2020 were carried forward for completion in FY 2021. Changes from the original FY 2020 annual audit plan were presented to and approved by the UT System Administration Internal Audit Committee throughout the fiscal year as follows.

- *Postponed:* Business Process and Departmental Reviews, Account Reconciliation Process, Employee Onboarding and Offboarding Process, Security Assessments Action Plans Monitoring, Presidential Travel and Entertainment (T&E) Expenses
- *Combined:* T&E Expenses hours for UTIMCO were combined into the Chancellor/Executives T&E Expenses
- *Added:* CISO SharePoint Consulting and COVID-19 Related Advisory Services



TEC Section 51.9337(h):

Senate Bill 20 (84th Legislative Session) made several modifications and additions to Texas Government Code (TGC) and Texas Education Code (TEC) related to purchasing and contracting. Effective September 1, 2015, TEC §51.9337 requires that, “The chief auditor of an institution of higher education shall annually assess whether the institution has adopted the rules and policies required by this section and shall submit a report of findings to the state auditor.” The System Audit Office conducted this required assessment for FY 2020, and found the following:

Based on review of current institutional policy and the UT System Board of Regents’ Rules and Regulations, UT System Administration has generally adopted all of the rules and policies required by TEC §51.9337. Review and revision of System policy is an ongoing process. These rules and policies will continue to be assessed annually to ensure continued compliance with TEC 51.9337.

Compliance with the Benefits Proportionality Audit Requirements for Higher Education Institution:

Rider 8, page III-48, of the General Appropriations Act (86th Legislature) requires that an audit examine appropriation years (AY) 2017 through 2019. To comply with this, a benefits proportionality audit was conducted as part of the FY 2020 annual audit plan and issued on June 19, 2020 (and is included in Section II below). Because our prior audit of proportional benefits included AY 2017, only 2018 and 2019 were included this year.

TGC Section 2102.015:

A summary table of recommendations made to address issues identified from FY 2020 engagements, the actions planned to be taken by management, and the current implementation status is included on the following pages to address web site posting requirements as required by Texas Government Code Section 2102.015.



The University of Texas System Administration
System Audit Office

Annual Audit Report
Fiscal Year 2020

Report Date	Report Name	Observations	Management Response/Action Plan	Status
6/19/20	Benefits Proportionality Audit	This audit resulted in no findings. Based on audit procedures performed, the Benefits Proportionality by Fund Report as submitted to the State Comptroller, was accurate.		
8/24/20	IT Asset Management Audit (TAC 202)	The report contains confidential information and is not subject to the disclosure requirements of the Texas Public Information Act based on the Texas Government Code §552.139. Specific results of the audit were provided to appropriate members of UT System management.		
8/26/20	GPO Control Validation Review	Sourcing and contract management controls as communicated during the accreditation process are in place and working as intended.		
9/14/20	Chancellor/Executive Travel and Entertainment Expenses Audit	This audit resulted in no reportable recommendations.		
9/22/20	Governance and Management of Shared Systems, Services, and Infrastructure Audit	<p>Observation 1: Governance committees require clear and reliable data to effectively make informed business decisions. Inconsistent tracking and reporting on resource use and project status across the shared systems pillars limits stakeholders' visibility to ensure ongoing alignment with operational priorities and campus resource availability when needed.</p>	<p>Management Action Plan 1: Shared Information Services (SIS) acknowledges internal processes to better track SIS resourcing, communicate current capacity levels and fine tune the data repository for future project planning purposes should be improved. Starting in July 2020, SIS began to investigate different solutions to assist with establishing a consistent resourcing and project tracking process across the PeopleSoft modules to provide better visibility into currently slated initiatives. The tools currently under review are Microsoft Project Online, Cherwell Project and Portfolio Management (PPM), and Cherwell Release Management. Since initiation, SIS has begun to internally pilot Microsoft Project Online. SIS will continue to test each product to find the most comprehensive tool or set of tools to aid in the resourcing and project tracking effort. Once the tool set is defined, SIS will implement the chosen tool(s) and refine internal processes accordingly. Once implemented, the tool(s) will be used to provide current project and resource status and compile data in a central repository that SIS, governance committees, and institutions can utilize for planning purposes.</p> <p>SIS recognizes that there are additional efforts that can be done in parallel with the tool evaluation in order to create better project and resource visibility and communication to the institutions. SIS has outlined the current Requirement and Enhancement Development (RED) process and are continuing to document the roles and responsibilities of SIS, Functional Committees, the Operating Committee, and the Executive Committee in</p>	Follow-up to be performed



The University of Texas System Administration
System Audit Office

Annual Audit Report
Fiscal Year 2020

Report Date	Report Name	Observations	Management Response/Action Plan	Status
9/22/20	Governance and Management of Shared Systems, Services, and Infrastructure Audit (continued)	<p>Observation 2: Clearly communicated service and support responsibilities for all parties, which include the service provider and all participants, contribute to ensuring participants' needs and expectations are met. The Operating Level Agreement (OLA) establishes "baseline" service expectations but does not specify the responsibilities of all parties relative to governance participation and testing of changes or enhancements.</p>	<p>the RED process. SIS will work with the different governance committees to approve these definitions. (See Observation 2 Management Action Plan for additional information on this effort.) Also, SIS is now using a tool for long term, centralized and consistent roadmap planning. SIS will begin to present these roadmaps to the governance committees so they will see the current SIS Project Roadmap.</p> <p>Management Response 2: SIS agrees that better defining roles and responsibilities of both SIS and the governance participation will enhance the overall effectiveness of the OLA. SIS began in July 2020 documenting the RED process, defining each of the steps and detailing the interplay of each of the different governance tiers in the process. In conjunction with the governance committees, SIS will continue to define the roles and responsibilities of each governance tier in the RED process. SIS will work directly with the different governance bodies to then agree to the overall definitions, roles, responsibilities, and process. Once all parties agree to the documented responsibilities and process, SIS will add an appendix to the OLA that will contain the agreed upon details. In addition to the RED process, additional updates to the OLA will be made to further define SIS services. After updating the OLA with these changes, each institution will sign off on the updated OLA, a change from the past procedure of governance body sign off. SIS will need the governance committees and institutions to prioritize this effort in conjunction SIS to cure this observation.</p>	Follow-up to be performed
10/1/20	Database Applications Audit	The report contains confidential information and is not subject to the disclosure requirements of the Texas Public Information Act based on the Texas Government Code §552.139. Specific results of the audit were provided to appropriate members of UT System management.		



III. Consulting Services & Non-audit Services Completed

Report Date	Report Name	High-Level Objectives(s)	Observations/Results/Recommendations
01/15/20	UT Arlington NCAA Agreed-Upon Procedures	Perform NCAA Agreed-Upon Procedures on Athletics' Statement of Revenues and Expenses (SRE)	Ensure completeness of grant-in-aid (GIA) records and revise offer agreement terms and conditions to clarify requirements.
01/15/20	UT El Paso NCAA Agreed-Upon Procedures	Perform NCAA Agreed-Upon Procedures on Athletics' SRE	None
01/15/20	UT Rio Grande Valley NCAA Agreed-Upon Procedures	Perform NCAA Agreed-Upon Procedures on Athletics' SRE	None
01/15/20	UT San Antonio NCAA Agreed-Upon Procedures	Perform NCAA Agreed-Upon Procedures on Athletics' SRE	Ensure compliance with state law for athletic advising and athletic development expenses and develop a process to confirm that financial aid information reported is accurate and complete.
2/18/20	Internal Lending Program Consulting	Review the UT System Internal Lending Program and evaluate existing governance, oversight, and policies.	Internal report issued
2/25/20	The University of Texas/Texas A&M Investment Management Company's (UTIMCO) Risk Information Consulting	Determine whether information reported by the Risk Management Team to the UTIMCO Board of Directors Risk Committee is accurate, complete, and adequately supported.	Internal report issued
7/22/20	UT Health Intelligence Platform (HIP) Consulting	Identify the key objectives of UT-HIP, the UT System-wide population health management initiative, as well as the key risks and actions taken to mitigate or control those risks.	Internal report issued
08/24/20	GPO Accreditation Review	Perform accreditation review of GPO applicants	Internal memos issued
9/23/20	Chief Information Security Officer (CISO) SharePoint Consulting	Review access controls and logical segmentation in place to ensure data protection on a SharePoint site intended for the sharing of confidential or highly sensitive information with chief information security officers at UT institutions.	Internal report issued
Various	Special Reviews	Special investigative reviews conducted at select UT institutions and UT System Administration	Reports/memos issued, as appropriate



IV. External Quality Assurance Review



Candor. Insight. Results.

May 25, 2017

Mr. J. Michael Peppers, Chief Audit Executive
The University of Texas System Administration

In May 2017, The University of Texas (UT) System Administration Audit Office (System Audit or IA) completed a self-assessment of internal audit activities in accordance with guidelines published by the Institute of Internal Auditors (IIA) for the performance of a quality assessment review (QAR). System Audit engaged an independent review team consisting of three internal audit professionals with extensive higher education and healthcare experience to perform an independent validation of System Audit's QAR self-assessment. The primary objective of the validation was to verify the assertions made in the QAR report concerning IA's conformity to the Institute of Internal Auditor's *International Standards for the Professional Practice of Internal Auditing* (the IIA Standards) and Code of Ethics, Generally Accepted Government Auditing Standards (GAGAS), and the relevant requirements of the Texas Internal Auditing Act (TIAA).

The IIA's *Quality Assessment Manual* suggests a scale of three ratings, "generally conforms," "partially conforms," and "does not conform." "Generally conforms" is the top rating and means that an internal audit activity has a charter, policies, and processes that are judged to be in conformance with the Standards. "Partially conforms" means deficiencies in practice are noted that are judged to deviate from the Standards, but these deficiencies did not preclude the IA activity from performing its responsibilities in an acceptable manner. "Does not conform" means deficiencies are judged to be so significant as to seriously impair or preclude the IA activity from performing adequately in all or in significant areas of its responsibilities.

Based on our independent validation of the QAR performed by System Audit, we agree with System Audit's overall conclusion that the internal audit function "Generally Conforms" with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing* and Code of Ethics, as well as with System Audit's conclusions regarding GAGAS and TIAA requirements. Our review noted strengths as well as opportunities for enhancing the internal audit function.

This information has been prepared pursuant to a client relationship exclusively with, and solely for the use and benefit of, UT System Administration and System Audit and is subject to the terms and conditions of our related contract. Baker Tilly disclaims any contractual or other responsibility to others based on its use and, accordingly, this information may not be relied upon by anyone other than UT System Administration and System Audit.

The review team appreciates the cooperation, time, and candid feedback of executive leadership, stakeholders, and System Audit personnel.

Very truly yours,

Baker Tilly Virchow Krause, LLP



V. Internal Audit Plan for Fiscal Year 2021

FY 2021 Audit Plan	Budget	% of Total	General Objective/Description
Assurance Engagements			
Microsoft Office 365 (O365) Audit	500		Determine whether information security controls native to O365 have been implemented and are effective in protecting sensitive and confidential data, including but not limited to O365-native controls directly applicable to remote work environment and guidance to institutions performing a similar engagement in FY 2021.
Arlington Regional Data Center (ARDC) Audit	350		Evaluate general controls in place to ensure the availability and security of information resources stored and/or serviced by ARDC.
Employee Onboarding and Offboarding Process Audit	400		Determine if there are proper processes and controls around onboarding and offboarding of System Administration employees related to legal/policy requirements, system access, coverage of duties, etc. Consider PeopleSoft modernization changes and transition of Criminal Background Checks to HR function.
UTIMCO Compliance Program Audit	300		To determine whether the UTIMCO compliance program is effective and incorporates the seven elements of an effective compliance program as promulgated by the U.S. Federal Sentencing Guidelines.
Chief Administrator Travel, Entertainment & University Residence Maintenance Expense Audit	500		Determine if chief administrators' travel, entertainment, and university residence maintenance (as applicable) expenses are appropriate, accurate, and in compliance with applicable policies.
Account Reconciliation Process Audit	300		Determine if the new account reconciliation process in PeopleSoft (SAHARA) for System Administration is appropriate to adequately monitor reconciliation of accounts and segregations of duties.
Group Purchasing Organization (GPO) Accreditation Applications Review	150		Determine if controls, as represented by the GPO accreditation applicant, meet the minimum standards of the UT System Accreditation Program.
General Carryforward	60		Completion of FY2020 engagements.
Assurance Engagements Subtotal	2560	17.7%	
Advisory and Consulting Engagements			
Security Assessments Action Plans Monitoring	50		Monitor the implementation of action plans resulting from the Security Assessments.
Shared Information Services Consulting	50		Assist the Office of the Chief Information Officer in reviewing the division operational responsibilities and accountability resulting from reorganization.
COVID-19 and CARES Act Consulting	500		Assist institutional internal audit with data analytics and guidance related to their engagements reviewing compliance with the U.S. CARES Act expenditure and reporting requirements and reviewing other operational objectives impacted by COVID-19.
Diversity & Inclusion Consulting	300		Review and assess processes, areas, or actions that support active diversity and inclusion. Consider implementation and compliance with UTS 187 to promote diverse candidates for leadership positions within System Administration and institutions and UTS 137 to promote full and equal opportunity for all businesses to supply goods and services to System Administration and institutions.
Business Process and Departmental Reviews	400		Ensure processes and controls are adequate and in place for select departments impacted by the System Administration restructure and reduction in resources, including succession planning/cross-training. Consider impacts from COVID-19, including sustainability of remote working (e.g., impact to achievement of objectives and potential opportunities).
Enterprise Risk Management (ERM) Consulting	100		Assist Compliance with development of an ERM process for UT System, including how this framework can assist in provide a foundation for operational resiliency.
Robotic Process Automation (RPA) Consulting	100		Assist Collaborative Business Services with assessment of controls needed in RPA development and implementation.
GPO Accreditation Program Consulting	35		Assist Collaborative Business Services with considering potential changes or enhancements to the GPO Accreditation Program.
UTIMCO Meetings and Oversight Activities	50		Attend UTIMCO Board of Directors, Committee, and other oversight meetings.
General Audit Assistance to System Administration	300		Provide general assistance and support to System Administration departments and response to management requests.
System Administration Committees and Councils	200		Participate on System Administration Committees and Councils, including UT Share Operating and Executive Committees.
Advisory and Consulting Engagements Subtotal	2085	14.4%	
Required Engagements			
UT System Administration & Consolidated Financial Audit Assistance, including Guidance to Institutions	300		Assist the external auditor on the System Administration and Consolidated FY 2020 financial statements audit (year-end & interim work). Provide guidance and coordination to institutions, as needed.
NCAA Agreed-Upon Procedures at UT Arlington	300		Perform agreed-upon procedures regarding internal controls, revenues, and expenses of FY 2020 intercollegiate athletics program activity (Due Jan 15, 2021).
NCAA Agreed-Upon Procedures at UT El Paso	450		
NCAA Agreed-Upon Procedures at UT Rio Grande Valley	150		
NCAA Agreed-Upon Procedures at UT San Antonio	300		
Joint Admission Medical Program (JAMP) Audit	150		Provide audit opinion on JAMP financial statements and perform limited transaction/control testing (Due Dec 15, 2020).
Required Engagements Subtotal	1650	11.4%	



Investigations			
Investigations Reserve	400		Reserve for investigations that may arise.
Investigations Subtotal	400	2.8%	
Reserve			
TBD Special Requests	800		Assist executive management in addressing unexpected issues.
Reserve Subtotal	800	5.5%	
Follow-Up			
System Audit Follow Up Procedures	300		Follow-up on open recommendations from previous audits conducted by System Audit.
Follow-Up Subtotal	300	2.1%	
Development - Operations			
Audit, Compliance, and Risk Management Committee (ACRMC) and Board of Regents	300		Prepare for and attend ACRMC and Board of Regents meetings. May also include other reports for and requests from Regents.
UT System Administration Internal Audit Committee	300		Prepare for and attend System Administration Internal Audit Committee meetings.
Systemwide Annual Risk Assessment and Audit Plan	200		Coordinate and conduct institutional audit plan presentations to provide feedback on draft annual audit plans, prepare the Systemwide annual audit plan for approval by the ACRMC and analyze Systemwide risk, audit, and issue trends.
System Audit Office Annual Risk Assessment and Audit Plan	300		Facilitate risk assessments used to develop the risk-based System Audit Office's annual audit plan.
Systemwide Internal Audit Council	400		Prepare for and attend Internal Audit Council meetings, including efforts on Internal Audit strategic activities, communication and education among the Chief Audit Executives.
Assistance to Institutions - Academic	1500		Provide oversight, guidance, and assistance to the institutional internal audit in various audit areas, data analytics, etc. Includes attendance at institutional audit committee and other meetings.
Assistance to Institutions - Health			
Assistance to Institutions - All			
Assistance to Institutions - IT Related			
Data Analytics Tool Development	500		Provide data analytics technical operations, script development, guidance, and support.
Systemwide TeamMate Administration	350		Support the Systemwide administration of the audit management software (TeamMate) used by institutional internal audit. Develop the structure and processes, including job aids, forms, etc.
General Communications	100		Develop and deliver communications to institutional internal audit.
Online Reporting	100		Collect, track, sort, and post audit reports online.
Fraud and Investigation Tracking	100		Track, monitor, and report on fraud and investigation activities.
Systemwide Internal Audit Reporting	350		Collect and summarize information for Systemwide annual internal audit reporting, including tracking plan status and reportable findings.
System Audit Quality Assurance Activities	150		Conduct internal quality assurance activities, including quality related enhancements to System Audit Office's policies/processes/procedures and implementation of recommendations from External Quality Assessment (EQA).
External Reporting and Requests	100		Prepare State Auditor's Office (SAO) annual report and other SAO reporting requests. May also include reports or requests from other external agencies. Includes TEC section 51.9337(h) compliance work.
TeamMate and Website Maintenance and Management	100		Update System Audit's TeamMate software and keep Systemwide Internal Audit and System Audit Office websites current.
Management of the Internal Audit Activity	400		Manage the System Audit Office's internal audit activities such as prioritization and status updates of engagements.
Development - Operations Subtotal	5250	36.2%	
Development - Initiatives and Education			
Auditor IT Skill Development	150		Ongoing Systemwide Initiative to develop IT audit capabilities in all auditors through collaboration and education opportunities.
Data Analytics Skill Development	100		Ongoing Systemwide Initiative to develop data analytics capabilities in audit teams through collaboration and education opportunities.
Systemwide Initiative - Recruitment & Retention	100		Systemwide Initiative to provide tools, processes, and resources to develop and retain internal audit talent.
Quality Program and Metrics Implementation	100		Strengthen leading practice and standards use with quality program implementation (Post TeamMate Implementation/EQA metrics).
Resource Capabilities and Knowledge/Resource Management	100		Expand resources and capabilities of auditors and facilitate knowledge/resource management development.
Internal Audit Staff Training	800		Attend Continued Professional Education training.
Professional Organizations and Associations	100		Participate in professional organizations.
Development - Initiatives and Education Subtotal	1450	10.0%	
Total Budgeted Hours	14495	100.0%	

Risk Assessment/Methodology Used to Develop FY 2021 Annual Audit Plan & High Risks Not Included

The Audit Plan outlines the internal audit activities that will be performed by the System Audit Office during FY 2021 in accordance with responsibilities established by UT System, the TIAA, the IIA *Standards*, and GAGAS. The plan is prepared using a risk-based approach to ensure that areas and activities with the greatest risk are identified for consideration to be audited. The Audit Plan includes audit work, which is included in the Assurance, Advisory and Consulting, Required, Investigations, and Follow-up sections; Development –



Operations (ongoing System Administration and oversight activities); and Development – Initiatives & Education (developmental initiatives that may be employed over multiple years). The Audit Plan was approved by the UT System Administration Internal Audit Committee on 7/8/20 and by the UT System Board of Regents' Audit, Compliance, and Risk Management Committee on 8/19/20 as part of the Systemwide Audit Plan.

The System Audit Office's risk assessment approach was accomplished by evaluating important strategic initiatives and operational objectives that were previously defined for each of the System Administration offices. Meetings were held with department heads, members of executive management, and other risk collaborators to review the activities, associated risks, and potential audits and consulting projects. Risks were ranked, based on probability and impact ratings as well as past audit coverage and other interrelated risks. Engagements were identified to address the highest risks. In addition, the FY 2021 Audit Plan includes other required engagements and reserve time for unanticipated items.

As in past years, additional focus was placed on IT risk through collaboration with IT and Information Security leadership to identify and agree upon critical services and functions that could have a significant impact on business objectives. IT risks related to Title 1, Texas Administrative Code, Chapter 202 (Information Security Standards) are considered in the framework used to assess risk, and required information security control standards are included as criteria for all audits in which they apply. Additional focus was placed on IT and information security risks elevated by the pervasive remote work environment deployed in March 2020 due to the COVID-19 pandemic. The FY 2021 Audit Plan includes an audit of the tools and practices currently in use to protect and monitor remote use of UT System Administration information resources and IT assets. In addition, the FY 2021 plan includes hours to monitor actions planned to address results from network assessment and cybersecurity incident response projects commissioned by the Information Security Office, which was postponed from the prior year.

An audit of benefits proportionality for appropriation years 2018-2019 was completed as part of the FY 2020 Audit Plan, as required under Rider 8, page III-48, of the General Appropriations Act (86th Legislature). Because benefits proportionality was not identified as a high-risk area in the annual risk assessment, there are no plans to conduct an audit during FY 2021. An audit of the contracts monitoring process at System Administration was completed in FY 2019, and follow-up procedures conducted in FY 2020, which found four of the six recommendations were implemented. Follow-up on the remaining partially implemented recommendations will be performed in FY 2021. As in prior years, the FY 2021 audit plan includes an engagement to review procurement controls of group purchasing organizations applying to become accredited for use by UT System Administration and UT institutions. The FY 2021 Audit Plan does not include an internal audit related to expenditure transfers, capital budget controls, or other limitation or restriction in the General Appropriations Act; however, these areas may be reviewed as part of the external financial audit.

Additional critical/high risks that were identified but not part of the Audit Plan, were in the general area of information technology. While related engagements are not part of the FY 2021 Annual Audit Plan, there are other mitigating activities and follow-up engagements that address the objectives at risk.

VI. External Audit Services Procured in FY 2020

The University of Texas System contracted with Deloitte & Touché, LLP (Deloitte) to perform an independent audit of the FY 2019 UT System financial statements (including stand-alone audits at some of the institutions) and an independent audit of the FY 2019 financial statements of The University of Texas Investment Management Company (UTIMCO) Corporation, the Permanent University Fund, the General Endowment Fund, the Permanent Health Fund, the Long Term Fund, and the Intermediate Term Fund (collectively, the Funds). Also, Deloitte performed interim work for the audit of the UT System and Funds' FY 2020 financial statements.

In addition, UT System contracted with Deloitte to complete audits of Cancer Prevention Research Institute of Texas (CPRIT) grants at select UT institutions to conclude on the Schedule of Expenditures of



State Awards for the CPRIT program and compliance over CPRIT programs (scope of FY 2019 grant activity). Other UT institutions may separately contract with other vendors to perform agreed upon procedures.

The University of Texas System Administration contracted with Wolcott and Associates to perform benefit audits for the Office of Employee Benefits of employee and retiree medical and prescription insurance claims and contracted with R.L. Townsend and Associates, to perform ongoing construction billing and final contract review audits for the Office of Capital Projects.

VII. Reporting Suspected Fraud and Abuse

Actions taken to implement the requirements of General Appropriations Act (84th Legislature), Article IX, Section 7.09, Fraud Reporting and Texas Government Code, Section 321.022 include:

- SAO fraud reporting link on the bottom right of UT System homepage (<http://www.utsystem.edu/>)
- UT System policy UTS118 pertaining to fraudulent activities, including coordination of investigations and reporting of suspected fraud (<https://www.utsystem.edu/sites/policy-library/policies/uts-118-dishonest-or-fraudulent-activities>)
- UT System Hotline, which provides employees a way to report instances of suspected wrongdoing (<https://www.utsystem.edu/offices/systemwide-compliance/hotline>), including a link to report suspected fraud, waste, and abuse involving state funds to the SAO (<https://sao.fraud.texas.gov/>)
- The System Audit Office continues coordination with Systemwide Compliance and the Office of General Counsel regarding a Systemwide fraud reporting protocol and tool to help ensure consistent and timely communication.

VIII. Contracting Audits

Senate Bill 65 (86th Legislature, Regular Session) requires the SAO to assign a level of contract monitoring to each of the 25 largest state agencies in a state fiscal year as determined by the Legislative Budget Board (LBB). The rating is based on a variety of factors, including the results of an audit of an applicable agency’s contracts and contract processes and controls conducted by the agency’s internal auditors.

UT System Administration is one of the 25 designated state agencies. To assist the SAO in performing this function, audit reports related to contracts and contract processes and controls completed by UT System Administration in the last five years (fiscal years 2016 to current) are included below.

Report Title	Report Date	Follow-Up
Procurement Workgroup Consulting - GPO Accreditation Application Reviews	05/31/2016	Not applicable
Compliance Review - TEC 51.9337	11/01/2016	Not applicable
UTMDACC Procurement Special Review	01/31/2017	Not applicable
Contracting and Procurement Process Audit	01/27/2017	Not applicable. Improvements were planned and in process when the audit was conducted; therefore, no management action plans were required.
GPO Accreditation Application Reviews	05/19/2017	Not applicable
UTSW Procurement Special Review	05/30/2017	Not applicable
UTMDACC Procurement Special Review	07/18/2017	Not applicable



Report Title	Report Date	Follow-Up
GPO Control Validation Review - UT Supply Chain Alliance	08/18/2017	Not applicable
Compliance Review - TEC 51.9337	10/24/2017	Not applicable
GPO Control Validation Review - E&I	08/20/2018	Not applicable
GPO Accreditation Application Reviews	08/27/2018	Not applicable
Compliance Review - TEC 51.9337	10/31/2018	Not applicable
Contract Monitoring Process Audit	07/11/2019	Partially implemented (4 of 6 recommendations)
GPO Control Validation Review - Premier Inc.	07/31/2019	Not applicable
GPO Accreditation Application Reviews	08/19/2019	Not applicable
Compliance Review - TEC 51.9337	11/01/2019	Not applicable
GPO Accreditation Application Reviews	08/24/2020	Not applicable
GPO Control Validation Review - DIR	08/28/2020	Not applicable
Compliance Review - TEC 51.9337	11/01/2020	Not applicable

In its fiscal year 2020 Contract Monitoring Assessment at Certain State Agencies, the SAO determined that UT System Administration contracting processes and controls for solicitation and development are strong such that reduced monitoring is warranted, and processes and controls during contract formation/award and contract management/termination are sufficient to warrant no additional monitoring beyond the minimum required under Texas law.